

COUNTY DEBT POLICY

The County has a separate policy that covers the issuance, management and administration of the County's portfolio of long term obligations. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the County will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the County's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the County.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the County's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, County policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the County has satisfied certain portions of its capital needs without the issuance of long term obligations. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, financed with a combination of state grant monies and the County's cash.
- The cash purchase of the Adelanto Adult Detention Facility.
- The cash purchase of an office building in downtown San Bernardino.
- The cash funding of a major remodel of the 6th floor of the Arrowhead Regional Medical Center to convert it from administrative space to a medical/surgery wing. This project is scheduled to be completed in September 2009.
- The cash funding of a new medical office building at the Arrowhead Regional Medical Center. This project is scheduled to be completed in September 2010.
- The cash funding of a new High Desert Government Center in Hesperia. This project is scheduled to be completed in September 2010.
- The cash funding of the new Central Valley Juvenile Detention and Assessment Center. This project is scheduled to be completed in August 2011.



COUNTY BUDGET FINANCING POLICY AS IT RELATES TO LONG-TERM OBLIGATIONS

The County's Budget Financing Policy includes policies related to long-term obligations of the County. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term obligations exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term obligations. This applies only to debt service paid from discretionary revenue sources of the general fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any County benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the County's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

COUNTY LONG-TERM OBLIGATIONS

The following discussion relates to long-term obligations backed by the full faith and credit of the County's general fund⁽¹⁾. Other long-term obligations, such as those of the County's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The County's outstanding long-term debt obligations have been issued for the following purposes:

- To finance construction and improvement of County structures.
- To refinance County pension obligations.
- To finance improvements at the County owned landfills.

The County finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the County landfills, the County has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the County has issued Pension Obligation Bonds.

(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's general fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit in the Law and Justice section of this document.

As of June 30, 2009, the County's long term obligations include obligations issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Construction of the County Government Center
- Construction of the West Valley Juvenile Detention Center
- Retrofit of lighting and HVAC systems at various County facilities
- Finance of down payment on a preschool building in Ontario
- Construction of the Glen Helen Pavilion
- Improvement projects at County landfills
- Refinancing of a portion of the County's Unfunded Accrued Actuarial Liability in the years 1995 and 2004.

A summary of long-term obligations of the County, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.

County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Fiscal Year Ending June 30	Pension Obligation Bonds						Certificates of Participation			
	2008		2004		1995		2008 Glen Helen Pavilion Series B ⁽¹⁾		2008 Glen Helen Pavilion Series A ⁽¹⁾	
	Pension Obligation Bonds \$160,900,000		Pension Obligation Bonds ⁽¹⁾ \$463,895,000		Pension Obligation Bonds \$386,265,591		\$5,695,000		\$8,860,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	705,000	9,664,960	7,080,000	17,564,609	32,180,000	6,618,739	90,000	379,565	620,000	387,748
2011	735,000	9,621,616	9,245,000	17,171,047	36,615,000	4,222,399	70,000	374,580	605,000	356,779
2012	805,000	9,575,262	11,570,000	16,645,231	41,505,000	1,471,352	95,000	369,080	610,000	327,547
2013	880,000	9,524,543	14,100,000	15,973,653	13,160,377	32,059,623	75,000	362,404	630,000	296,578
2014	865,000	9,472,019	16,950,000	15,139,811	12,791,883	34,788,117	60,000	358,606	595,000	268,140
2015	920,000	9,418,290	20,020,000	14,127,066	12,401,627	37,653,373	75,000	353,713	595,000	239,643
2016	1,035,000	9,359,445	23,355,000	12,918,239	12,035,880	40,619,120	60,000	349,895	570,000	211,078
2017	1,060,000	9,296,385	27,025,000	11,491,751	11,673,496	43,711,504	40,000	345,001	590,000	181,698
2018	1,130,000	9,230,466	31,015,000	9,825,205	11,361,080	46,888,920	560,000	324,094	560,000	154,472
2019	19,990,000	8,594,754	16,235,000	8,453,186	11,054,980	50,205,020	600,000	284,759	555,000	127,253
2020	15,860,000	7,515,669	25,000,000	7,179,750	10,753,631	53,666,369	670,000	240,682	505,000	101,840
2021	20,880,000	6,409,795	25,000,000	5,584,250	10,507,053	57,227,947	710,000	193,064	515,000	76,082
2022	26,200,000	4,992,687	25,000,000	3,988,750	9,790,585	58,119,415	755,000	143,494	470,000	53,589
2023	31,875,000	3,244,630	25,000,000	2,393,250	-	-	830,000	88,282	445,000	31,099
2024	37,960,000	1,142,596	25,000,000	797,750	-	-	875,000	30,211	415,000	9,906
2025	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-
Totals	160,900,000	117,063,114	301,595,000	159,253,545	225,830,591	467,251,899	5,565,000	4,197,430	8,280,000	2,823,452

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2009-10 fiscal year.

(2) West Valley Detention Center



County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Certificates of Participation											
2002		2001/02		1997		1996		1996		Total	Fiscal
Justice Center Refunding \$68,100,000		WCVD Refunding ⁽²⁾ \$94,920,000		Public Imp. Financing \$17,790,000		Govt Center Refinancing ⁽¹⁾ \$39,600,000		WVDC Refinancing ⁽¹⁾⁽²⁾ \$9,200,000		Outstanding General Fund	Year Ending
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt	June 30
4,790,000	1,704,800	5,720,000	3,331,020	870,000	446,603	2,200,000	646,020	300,000	238,920	95,537,983	2010
5,025,000	1,513,200	5,970,000	3,073,020	910,000	402,538	2,300,000	545,625	300,000	228,060	99,283,863	2011
5,155,000	1,312,200	6,225,000	2,805,270	370,000	370,538	2,400,000	440,865	300,000	217,200	102,569,544	2012
5,475,000	1,106,000	6,490,000	2,526,945	390,000	351,538	2,500,000	331,740	300,000	206,340	106,739,741	2013
5,585,000	887,000	6,800,000	2,220,884	405,000	331,663	2,600,000	218,250	300,000	195,480	110,831,851	2014
5,950,000	607,750	7,145,000	1,862,341	430,000	310,788	2,500,000	109,125	400,000	182,207	115,300,922	2015
6,205,000	310,250	7,510,000	1,484,761	450,000	288,225	2,500,000	-	400,000	167,727	119,829,619	2016
		7,900,000	1,087,081	470,000	264,075	-	-	400,000	153,247	115,689,237	2017
		8,305,000	668,031	495,000	238,744	-	-	400,000	138,767	121,294,778	2018
		8,735,000	226,531	525,000	211,969	-	-	400,000	124,287	126,322,738	2019
		-	-	460,000	186,113	-	-	400,000	109,807	122,648,860	2020
		-	-	485,000	161,306	-	-	400,000	95,327	128,244,824	2021
		-	-	510,000	135,188	-	-	500,000	78,433	130,737,141	2022
		-	-	535,000	107,756	-	-	500,000	60,333	65,110,350	2023
		-	-	565,000	78,881	-	-	500,000	42,233	67,416,578	2024
		-	-	595,000	48,431	-	-	500,000	24,133	1,167,565	2025
		-	-	625,000	16,406	-	-	500,000	6,033	1,147,440	2026
		-	-	-	-	-	-	-	-	-	2027
		-	-	-	-	-	-	-	-	-	2028
		-	-	-	-	-	-	-	-	-	2029
38,185,000	7,441,200	70,800,000	19,285,885	9,090,000	3,950,759	17,000,000	2,291,625	6,800,000	2,268,533	1,629,873,033	Totals



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Fiscal Year Ending June 30	Certificates of Participation					
	2008 Solid Waste		County Medical Center		County Medical Center	
	Series B ⁽¹⁾		Series 1998		Series 1996	
	\$74,390,000		\$176,510,000		\$65,070,000	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	6,405,000	4,453,563	1,100,000	7,329,949	325,000	3,249,806
2011	6,915,000	3,995,678	1,200,000	7,281,770	340,000	3,232,350
2012	7,470,000	3,501,639	9,200,000	7,063,916	360,000	3,213,975
2013	8,045,000	2,967,926	9,600,000	6,670,103	380,000	3,194,550
2014	8,700,000	2,391,962	10,000,000	6,259,532	400,000	3,174,075
2015	9,385,000	1,769,970	10,500,000	5,830,108	420,000	3,152,550
2016	10,120,000	1,099,544	10,900,000	5,381,832	445,000	3,129,844
2017	10,920,000	376,820	6,400,000	5,019,440	465,000	3,105,956
2018	-	-	6,700,000	4,745,028	490,000	3,081,500
2019	-	-	8,700,000	4,422,436	515,000	3,056,375
2020	-	-	9,100,000	4,049,571	545,000	3,029,875
2021	-	-	7,500,000	3,701,842	570,000	3,002,000
2022	-	-	8,100,000	3,375,061	600,000	2,972,750
2023	-	-	8,400,000	3,029,427	630,000	2,942,000
2024	-	-	16,200,000	2,514,119	665,000	2,909,625
2025	-	-	16,900,000	1,820,757	695,000	2,875,625
2026	-	-	20,200,000	1,043,604	735,000	2,839,875
2027	-	-	14,810,000	310,232	7,120,000	2,643,500
2028	-	-	-	-	24,030,000	1,864,750
2029	-	-	-	-	25,280,000	632,000
Totals	67,960,000	20,557,102	175,510,000	79,848,728	65,010,000	57,302,981

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2009-10 fiscal year.

Budget Information:

The 2008 Series B Solid Waste Certificates of Participation are budgeted in the Public And Support Services Group section of this budget book, in the Solid Waste Management Division Operations Enterprise Fund.

The 1994, 1995, 1996 and 1998 Medical Center Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book under County Administrative Office, Medical Center Lease Payments (Medical Center Enterprise Fund).



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Certificates of Participation				Total Outstanding Enterprise Fund Debt	Fiscal Year Ending June 30
County Medical Center Series 1995 \$147,565,000		County Medical Center Series 1994 \$213,605,000			
Principal	Interest	Principal	Interest		
9,705,000	5,369,475	3,480,000	9,405,300	50,823,093	2010
10,525,000	4,661,425	3,570,000	9,202,725	50,923,948	2011
3,245,000	4,187,588	3,775,000	9,000,738	51,017,855	2012
3,465,000	3,969,513	3,990,000	8,787,200	51,069,291	2013
3,705,000	3,736,488	4,205,000	8,561,838	51,133,894	2014
3,955,000	3,487,538	4,445,000	8,323,963	51,269,128	2015
4,225,000	3,221,688	4,695,000	8,072,613	51,290,520	2016
9,545,000	2,799,363	4,965,000	7,806,963	51,403,541	2017
10,140,000	2,211,425	5,235,000	7,526,463	40,129,415	2018
7,150,000	1,711,875	7,465,000	7,177,213	40,197,899	2019
7,560,000	1,307,350	7,880,000	6,755,225	40,227,021	2020
6,180,000	929,500	12,180,000	6,112,225	40,175,567	2021
6,720,000	574,750	12,570,000	5,340,250	40,252,811	2022
7,090,000	194,975	13,290,000	4,629,100	40,205,502	2023
-	-	14,090,000	3,876,150	40,254,894	2024
-	-	14,890,000	3,079,200	40,260,582	2025
-	-	13,060,000	2,343,225	40,221,704	2026
-	-	13,725,000	1,673,600	40,282,332	2027
-	-	13,675,000	1,005,694	40,575,444	2028
-	-	14,335,000	340,456	40,587,456	2029
93,210,000	38,362,950	175,520,000	119,020,138	892,301,899	Totals



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively affect current or future operations of the County. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

The County is currently contemplating the issuance of additional Certificates of Participation to fund construction and improvements related to the implementation of a master space plan. The 2009-10 budget allocates ongoing (annual) financing sources of \$24.0 million for future debt service related to the implementation of the County's master space plan.

OTHER LONG-TERM OBLIGATION

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the County Library budget, found in the Public and Support Services Group section of this budget book, outstanding principal amount of this note as of June 30, 2008, the last date for which audited information is available, was \$1,713,119. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The County's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2008, the last date for which audited information on outstanding debt is currently available, the County's Debt limit and legal debt margin were calculated as follows:

	(1)	(1)	(1)	(1)
Fiscal	Assessed	Legal	Bonded	Legal
Year	Valuation	Debt Limit	Debt	Debt Margin
2007-08	175,896,103	2,198,701	1,695	2,197,006

(1) Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2008

The County general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of Special Districts and therefore is budgeted in a separate budget document.

